

INVESTMENT POLICY STATEMENT

For

**Rhode Island Tuition Savings Program
“CollegeBoundfund”**

Prepared: January 2015

CAPITAL CITIES, L.L.C.
47 South Meridian, Suite 425
Indianapolis, Indiana 46204
(317) 475-4500
Fax (317) 475-4505
www.capcities.com

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PURPOSE

The purpose of this Investment Policy Statement (“IPS”) is to assist the Rhode Island State Investment Commission (“SIC”) in effectively supervising, monitoring and evaluating the investment options of the Rhode Island Tuition Savings Program (“Program”), also known as the “CollegeBound*fund*”, assets. The SIC has the authority to oversee the investment of the Program assets, including both National and Rhode Island Accounts. The investment program is defined in the various sections of the IPS by:

- Stating in a written document the SIC’s judgments, expectations, objectives, and guidelines in the investment of all Program assets.
- Setting forth an investment structure for managing all Program assets. This structure includes various asset classes and investment management styles. The Program intends to provide an appropriate range of investment options that will span the risk/return spectrum.
- Establishing the criteria and procedures for selecting investment options and Investment Managers.
- Providing guidelines for each investment portfolio that controls the level of overall risk (appropriate diversification) and liquidity assumed in that portfolio so that all Program assets are managed in accordance with stated objectives.
- Encouraging effective communications between the SIC, the Rhode Island Higher Education Assistance Authority (“RIHEAA”), the Investment Consultant, the Program Manager and the Investment Managers.
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the Investment Managers on a regular basis.
- Complying with all fiduciary, prudence and due diligence requirements and with all applicable laws, rules and regulations from state and federal political entities that may impact Program assets.

This IPS has been arrived at upon consideration by the SIC of the financial implications of a wide range of policies, and describes the prudent investment process that the SIC deems appropriate.

PROGRAM SUMMARY

The CollegeBound*fund* was established in 1997 by the State of Rhode Island in accordance with Rhode Island General Laws (herein referred to as “RIGL”) Title 16, Chapter 16-57 to provide employee tuition savings program to allow persons to save money for the sole purpose of meeting qualified higher education expenses through contributions to individual participant accounts and the earnings thereon.

The Program is organized as a ”qualified tuition program” in accordance with section 529 of the Internal Revenue Code of 1986, as amended. The Program’s purpose is to provide a vehicle to accumulate and grow assets to fund future college education expenses.

Key information regarding the Program can be found in Appendix A.

STATEMENT OF OBJECTIVES

The Program provides a vehicle for eligible participants to take an active role in their tuition expenses by providing education and information so that they can make informed decisions about their investment option selections.

The objectives of the Program have been established in conjunction with a comprehensive review. The objectives are:

- To maintain flexibility in meeting the future needs of the participants.
- To provide participants with investment choices that are diversified across a range of risk levels, asset classes, and investment strategies in order to accommodate the varying levels of needs and risk tolerance of the Program's participants.
- To control costs of administering the Program and managing the investments.
- To undertake all transactions solely in the interest of the participants and beneficiaries.
- To comply with all fiduciary, prudence and due diligence requirements and with all applicable laws, rules and regulations from state and federal political entities that may impact Program assets.

RESPONSIBILITIES

Responsibilities of SIC

The ten-member State Investment Commission (SIC), chaired by the General Treasurer, is a Rhode Island governmental commission which has oversight responsibility for the investment of public funds, as well as the assets of the Program. The SIC is responsible for the prudent administration of the Program, including: design of investment platform; establishing investment policy objectives and guidelines; prudent selection of Investment Managers and Program Manager; and ongoing monitoring.

Delegation of Authority

The SIC members are fiduciaries of the Program and are responsible for providing the investment framework and monitoring the investment management of Program assets. As such, the SIC is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. *Capital Cities, LLC (“Consultant”)*. The Consultant’s role is that of an investment advisor to the SIC. Investment guidance concerning the investment management of Program assets will be offered by the Consultant, and will be consistent with the investment objectives, policies, and constraints as established in this statement. Specific responsibilities of the Consultant include:
 - Providing independent and unbiased information.
 - Assisting in strategic planning and investment option mapping.
 - Assisting in the development and periodic review of the investment policy.
 - Conducting investment option searches when requested by the SIC.
 - Assisting in development of performance measurement and qualitative standards.
 - Monitoring and evaluating investment options performance on an ongoing basis and conducting due diligence when an investment option fails to meet a standard.
 - Making recommendations with respect to investment option retention or termination.
 - Assisting in monitoring hired Investment Managers for compliance with this IPS.
 - Assisting in the control of investment expenses.

RESPONSIBILITIES

- Reporting, on a timely basis, quarterly investment performance results to provide the SIC with the ability to determine the progress and compliance with investment goals and objectives.
2. *AllianceBernstein L.P. (“Program Manager”)*. The Program Manager has the responsibility to manage the day-to-day operations of the Program. The Program Manager performs investment management, administrative, record keeping, reporting, regulatory, tax reporting, marketing and other services in connection with the operation of the Program. AllianceBernstein can delegate the performance of accounting, custody and other administrative services to State Street Bank and Trust Company and certain of its affiliates.
 3. *Investment Managers (“Investment Managers”)*. The Investment Managers have discretion to purchase, sell, or hold the specific securities or products that will be used to meet the Program’s investment objectives. Investment Managers must promptly vote all proxies and related actions in a manner consistent with the long-term interest and objectives of the investors. Each Investment Manager shall keep detailed records of the voting of proxies and related actions and will comply with all applicable regulatory obligations. Investment Managers can include both actively and passively managed mutual funds, collective investment trusts, exchange-traded funds (“ETFs”) and separate accounts. Investment Managers will be held responsible and accountable to achieve the objectives herein stated. Investment Managers must furnish the SIC with regular investment reports as required by the SIC.
 4. Additional specialists such as attorneys, auditors, actuaries, and others may be employed by the SIC to assist in meeting its responsibilities and obligations to administer Program assets prudently.

Responsibilities of RIHEAA

The Rhode Island Higher Education Assistance Authority (RIHEAA) was established in 1977 by an act of the Rhode Island State general Assembly under Title 16, Chapter 57 of the Rhode Island General Laws. The agency’s mandate is to assist students and families in funding higher education, from scholarship and grant programs to student loans and college savings plans. RIHEAA acts as the CollegeBound*fund* Program’s trustee and administers the Program in conjunction with the SIC.

RESPONSIBILITIES

Responsibilities of Participants

Participants are responsible for choosing an appropriate investment program. SIC and RIHEAA will not provide individual investment counseling to participants. Participants choosing to invest in the Education Strategies Portfolios must determine that the Portfolios' asset allocation strategies are appropriate for their risk tolerance, time horizons and return expectations. Participants choosing to invest in the Individual Funds are responsible for utilizing the basic principles of strategic asset allocation to select a combination of investment options based on the participant's unique time horizon, risk tolerance, return expectation, and asset class preferences.

Participants may employ a financial intermediary to provide advice on financial matters. A financial intermediary is a firm that receives compensation for contributions made to an Account established by one of its clients. Financial intermediaries may include, among others, a participant's broker, financial planner or advisor, banks and insurance companies. Financial intermediaries employ individual financial advisors who deal with participants and other contributors on an individual basis.

GUIDELINES AND INVESTMENT POLICY

In order to provide appropriate investment alternatives for participants, several investment options will be made available that provide a range of risk and return characteristics, each unique to aid in proper diversification. The investment options will be made available through two different types of portfolios: Education Strategies Portfolios and Individual Fund Portfolios. More specific information on each type of Portfolio can be found below and in Appendix B of this statement.

Education Strategies Portfolios

The Education Strategies Portfolios are diversified, globally balanced portfolios designed to provide participants with pre-packaged asset allocation vehicles. The SIC has chosen to provide several distinct Education Strategies Portfolios in order to satisfy the needs of Program participants who have a broad array of risk tolerance and investment time horizons.

The Education Strategies Portfolios are offered in the form of Age-Based Portfolios and Fixed Allocation Portfolios. **Age-Based Portfolios** offer participants pre-diversified portfolios that become more conservative over time as the beneficiary nears his/her intended year of enrollment into college. The Age-Based Portfolios are offered through a series of three actively managed tracks based on risk tolerance and one passively managed track based on Morningstar's 529 College Savings Moderate Index. **Fixed Allocation Portfolios** offer participants three pre-diversified portfolios based on risk tolerance. The strategic asset allocation of these Portfolios remains static over time.

The Education Strategies Portfolios represent a weighted allocation among a pre-determined number and type of investment vehicles. The Program Manager, with the oversight of the SIC and Consultant, reviews these strategic allocations periodically and makes adjustments when deemed appropriate. Further details can be found in Appendix B and Appendix C of this statement.

An essential component of the asset allocation process is rebalancing. Rebalancing is a process that realigns a portfolio back to its strategic targets as market fluctuations change the initial allocations over time. The Program Manager monitors and rebalances the underlying asset allocation of the Education Strategies Portfolios on a quarterly basis.

GUIDELINES AND INVESTMENT POLICY

Individual Fund Portfolios

The Individual Funds are stand-alone options which allow participants the ability to allocate their account into one or more investment options. The goal in offering the Individual Funds is to provide participants with the ability to construct diversified portfolios by asset class and investment style that match their risk tolerance, asset class preferences, time horizons and expected returns. Once a participant's portfolio is selected for a particular contribution, IRS guidance dictates the rules through which a participant can move money or transfer from one portfolio to another. Details regarding the Individual Funds can be found in Appendix B.

Risk Tolerance

The SIC recognizes the difficulty of achieving the Program's investment objectives in light of the uncertainties and complexities of the investment markets. The Program Manager, with the oversight of the SIC and Consultant, seek to provide participants with a broad array of investment choices so they have the ability to construct portfolios which could represent a variety of levels of risk and return regardless of time horizon.

Individual Funds Structure

The Program Manager, with the oversight of the SIC and Consultant, seeks to achieve diversity in the Individual Funds offered, established certain criteria to determine the material difference between and among potential Individual Funds with exposure to the various asset classes. These criteria are:

- A distinct definable market;
- A distinct risk and return profile; and
- Use of a distinct management style that is definable in terms of the investment strategies/methodologies utilized (e.g. passive versus active management).

The SIC reserves the right to add or replace Individual Funds based upon market conditions, Program Manager and Consultant input, participant response, or other factors. A description of each current asset class and investment style is provided in Appendix B.

SECURITIES GUIDELINES

The guidelines set forth in the prospectus or trust document shall govern all mutual fund, collective investment trusts, and ETF vehicle investments. Securities guidelines for Investment Managers managing assets in a separate account fashion shall be negotiated and agreed upon in writing on a case-by-case basis and referenced as an Appendix to this statement.

SELECTION OF INVESTMENT MANAGERS

The SIC has the responsibility for selecting Investment Managers. The SIC, with the assistance of the Program Manager and Consultant, will select appropriate Investment Managers to manage the Program assets. The SIC's intent is to follow a process that embodies the principles of procedural due diligence. Accordingly, when selecting Investment Managers, the following criteria will be considered:

1. The Investment Manager will be a bank, insurance company, investment management company, or investment adviser as defined by the Investment Advisers Act of 1940.
2. Historical quarterly performance numbers calculated on a time-weighted basis for performance screening.
3. Performance evaluation reports that illustrate the risk/return profile of the Investment Manager relative to other Investment Managers of like investment style if appropriate.
4. Detailed information on the history of the firm and key personnel (including any material litigation and fraud), key clients, costs, and support personnel.
5. The investment strategy that will be followed must be described and documented that the strategy has been successfully adhered to over time.
6. Fees should be competitive compared to similar investments.
7. Investment Managers will be evaluated against a comparable peer group for selection, where appropriate.

CONTROL PROCEDURES

Disclosure to Participants

In order to ensure that participants have sufficient information to make informed investment decisions, the following disclosures will be made to all participants:

- an explanation of when and how participants may give investment instructions, including any restrictions on transfers or on the exercise of voting, tender and similar rights;
- transaction fees and expenses, such as sales commissions or redemption fees, that are charged to the participant's account;
- a description of the annual operating expenses of each investment vehicle including the investment management and other fees, which are charged to the investment vehicle thereby reducing its rate of return;
- a copy of the most recent prospectus will be provided upon request prior to or immediately following a participant's initial purchase in an investment subject to the Securities Act of 1933;
- a list of assets included in each investment vehicle and the value of each asset;
- performance data for each investment vehicle, net of expenses, presented over reasonable periods of time, calculated in a reasonable and consistent manner;
- the participant's account balance as of the last valuation date (but not less frequently than quarterly).

Every effort will be made to ensure all participants receive all correspondence regarding Program developments and changes.

Monitoring Service Contracts and Costs

The SIC will review the service contracts and costs associated with the Program periodically.

IPS Review and Evaluation

It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS. The SIC and the Consultant will review the IPS periodically to determine whether any changes are appropriate. Based on the SIC's and the Consultant's IPS review, the SIC may revise the IPS and/or Program to meet current needs.

MONITORING OF INVESTMENT MANAGERS

The SIC is aware that the ongoing review and analysis of Investment Managers is just as important as the due diligence implemented during the Investment Manager selection process. Monitoring these Investment Managers is a three step process, outlined below:

Step 1 – On-Going Monitoring

The Consultant and the SIC will perform a constant and on-going analysis of all Investment Managers. In addition to reviewing quarterly investment performance, the Consultant and the SIC will continually evaluate:

- Investment Manager's adherence to the IPS guidelines
- Material changes in the Investment Manager's organization, investment philosophy and/or personnel
- The volatility of the investment rates of return of the Investment Manager compared to the volatility of an appropriate market index and peer group (as listed in Appendix B)
- Comparisons of the Investment Manager's results to appropriate indices and peer groups (as listed in Appendix B).

If appropriate market indices and/or peer groups are not available, the Consultant and SIC will evaluate factors such as the Investment Manager's adherence to stated risk and return objectives and the Investment Manager's portfolio exposures in relation to the market environment and stated philosophy and process.

Step 2 – Formal Watchlist

If the Consultant and the SIC determine that any of the above factors, or any other development regarding the Investment Manager's performance or organization, warrants a more thorough examination, the SIC will place the Investment Manager on a formal "watchlist". Factors examined during the watchlist period include, but are not limited to, the following:

- Extraordinary Events (Organizational Issues)

Extraordinary events that may lead to an Investment Manager termination include such things as:

- Change in ownership (e.g., key people "cash out")
- Change in professionals
- Changes to an Investment Manager's philosophy or the process it uses to implement the agreed upon strategy
- Investment Manager is involved in material litigation or fraud
- Client-servicing problems
- Significant account losses or significant account growth
- Change in cost

MONITORING OF INVESTMENT MANAGERS

- Change in financial condition
- Extreme performance volatility
- Long-Term Performance in Relation to Appropriate Market Index, Market Environment or Stated Goals and Objectives

Long-term performance standards measure an Investment Manager's performance over rolling five-year returns or since inception in relation to the appropriate market index.

- Shorter-Term Performance in Relation to Appropriate “Style Group,” Market Environment or Stated Goals and Objectives

Shorter-term performance standards incorporate a time period of at least three years. Each Investment Manager is expected to consistently perform in the top 50th percentile versus an appropriate peer group of Investment Managers with similar investment styles. Additionally, each Investment Manager is expected to demonstrate favorable cumulative and rolling three-year risk-adjusted performance compared to its peer group. If appropriate peer groups are not available, the Investment Manager’s adherence to stated risk and return objectives and the Investment Manager’s portfolio exposures in relation to the market environment and stated philosophy and process will be evaluated. Risk-adjusted performance measures will vary, but may include: Sharpe Ratio, Downside Risk, Information Ratio, and/or Relative Standard Deviation.

Step 3 – Replace or Retain

The watchlist period will generally be four quarters, but the time period can be shorter or longer depending on the factors causing the watchlist.

As a result of the watchlisting examination of the Investment Manager, a recommendation by the Consultant to either **replace** or **retain** the Investment Manager will be made.

It is at the SIC’s discretion to take corrective action by replacing an Investment Manager, if it deems it appropriate, at any time. The watchlist is not the only route for removing an existing Investment Manager. The aforementioned events, or any other events of concern identified by the SIC, may prompt the immediate removal of an Investment Manager without it being watchlisted.

SIGNATURES

Prepared:
Capital Cities, L.L.C.

Accepted:
SIC

Date: _____

Date: _____

Consultant

Treasurer, Chairman

APPENDIX A

Key Information:

Name of Program: CollegeBoundfund

Program Manager: AllianceBernstein L.P.

SIC: Treasurer of State, Chairperson or designee
A Director of Higher Education
An Active or Retired Public Employee in the Retirement System or Union
Director of Administration or designee
Two Public Treasurer Appointees
Three Gubernatorial Appointees
Executive Director of the Employees' Retirement System (non-voting)

Type of Program: Qualified Tuition Program (referred to as a "529 Plan")

Current Assets (as of September 30, 2014): \$7,466,661,607

Participant Directed Investment Options: Yes

Frequency to Change Investment Options: Annually

Investment Consultant: Capital Cities, L.L.C. (317) 475-4500

APPENDIX B

Education Strategies Portfolios

A summary of the Education Strategies Portfolios is provided below.

Age-Based Portfolios			
Age-Based Conservative Growth	Age-Based Moderate Growth	Age-Based Aggressive Growth	Age-Based CBf Morningstar Index Portf
Before 1996	Before 1984	Before 1984	Age-Based CBf Morningstar Index Before 1999
1996-1998	1984-1986	1984-1986	Age-Based CBf Morningstar Index 1999-2001
1999-2001	1987-1989	Before 1987 (RI Only)	Age-Based CBf Morningstar Index 2002-2004
2002-2004	1990-1992	1987-1989	Age-Based CBf Morningstar Index 2005-2007
2005-2007	1993-1995	1990-1992	Age-Based CBf Morningstar Index 2008-2010
2008-2010	1996-1998	1993-1995	Age-Based CBf Morningstar Index 2011-2013
2011-2013	1999-2001	1996-1998	Age-Based CBf Morningstar Index 2014-2016
2014-2016	2002-2004	1999-2001	
	2005-2007	2002-2004	
	2008-2010	2005-2007	
	2011-2013	2008-2010	
	2014-2016	2011-2013	
		2014-2016	

Fixed Allocation Portfolios		
Conservative	Balanced	Appreciation

Active Education Strategies Portfolios: Asset Categories, Indexes and Peer Group Universes

Asset Category	Index	Peer Group Universe
Age-Based Portfolios <i>Conservative Gr, Moderate Gr, Aggressive Gr, CBf Morningstar Index</i>	Custom Benchmark Representing Underlying Asset Allocation	
Fixed Allocation Portfolios <i>Conservative, Balanced, Appreciation</i>	Custom Benchmark Representing Underlying Asset Allocation	
Underlying Components:		
Equity AllianceBernstein Growth & Income AllianceBernstein Small/Mid Cap Value AllianceBernstein Small/Mid Cap Growth AllianceBernstein International Factor	Russell 1000 Value Russell 2500 Value Russell 2500 Growth MSCI ACWI ex-US	Large Cap Value Style Small/Mid Cap Val Style Small/Mid Cap Gr Style International Equity Style
Alternatives AllianceBernstein Multi-Asset Real Return AllianceBernstein Volatility Management	MSCI AC World Commodity Prod MSCI ACWI	
Fixed Income AllianceBernstein High Yield AllianceBernstein Global Core Bond AllianceBernstein Bond Infl Protection AllianceBernstein Short Duration AllianceBernstein Exchange Reserves	Barclays US HY 2% Issuer-Cap Barclays Global Aggregate Barclays US TIPS 1-10 Yr ML Treasury 1-3 Yr 90 Day T-Bill	High Yield Style Global Fixed Inc Style TIPS Defensive Money Market

APPENDIX B

Age-Based CBf Morningstar Index Portfolios: Asset Categories and Indexes

Asset Category	Index
Age-Based CBf Morningstar Index Portfolios	Custom Benchmark Representing Underlying Asset Allocation
Underlying Components:	
Equity AllianceBernstein US Equity Index AllianceBernstein International Eq Index	Blended Morningstar Customized Blended Morningstar Customized
Alternatives AllianceBernstein REIT Index	MS US REIT Index
Fixed Income AllianceBernstein US Bond Index AllianceBernstein TIPS Index AllianceBernstein Intl Gov Bond Index AllianceBernstein Principal Protection Inc AllianceBernstein Exchange Reserves	Blended Morningstar Customized MS TIPS MS Glb Ex US Govt Bond 90 Day T-Bill 90 Day T-Bill

Individual Funds

A summary of the Individual Funds is provided below.

National Accounts:

Individual Funds	
Value Equity	AllianceBernstein Growth and Income Fund
	AllianceBernstein International Value Index Fund
	AllianceBernstein Discovery Value Fund
Growth Equity	AllianceBernstein Large Cap Growth Fund
	AllianceBernstein Discovery Growth Fund
	AllianceBernstein Small Cap Growth Portfolio
Fixed Income	AllianceBernstein Bond Inflation Strategy Fund
	AllianceBernstein Global Bond Portfolio
	AllianceBernstein Principal-Protection Inc Portfolio

APPENDIX B

Rhode Island Accounts:

Individual Funds		
Value Eq	AllianceBernstein Growth and Income Fund	
	AllianceBernstein Discovery Value Fund	
Growth Equity	AllianceBernstein Large Cap Growth Fund	
	AllianceBernstein Discovery Growth Fund	
	AllianceBernstein Small Cap Growth Portfolio	
Fixed Income	AllianceBernstein Bond Inflation Strategy Fund	
	AllianceBernstein Global Bond Portfolio	
	AllBern Principal-Protection Income Portfolio	
		Passive Equity
		Vanguard Total Stock Market Index Portfolio
		Vanguard Total International Stock Index Fund
		Passive Fixed Inc
		Vanguard Total Bond Market Index Fund

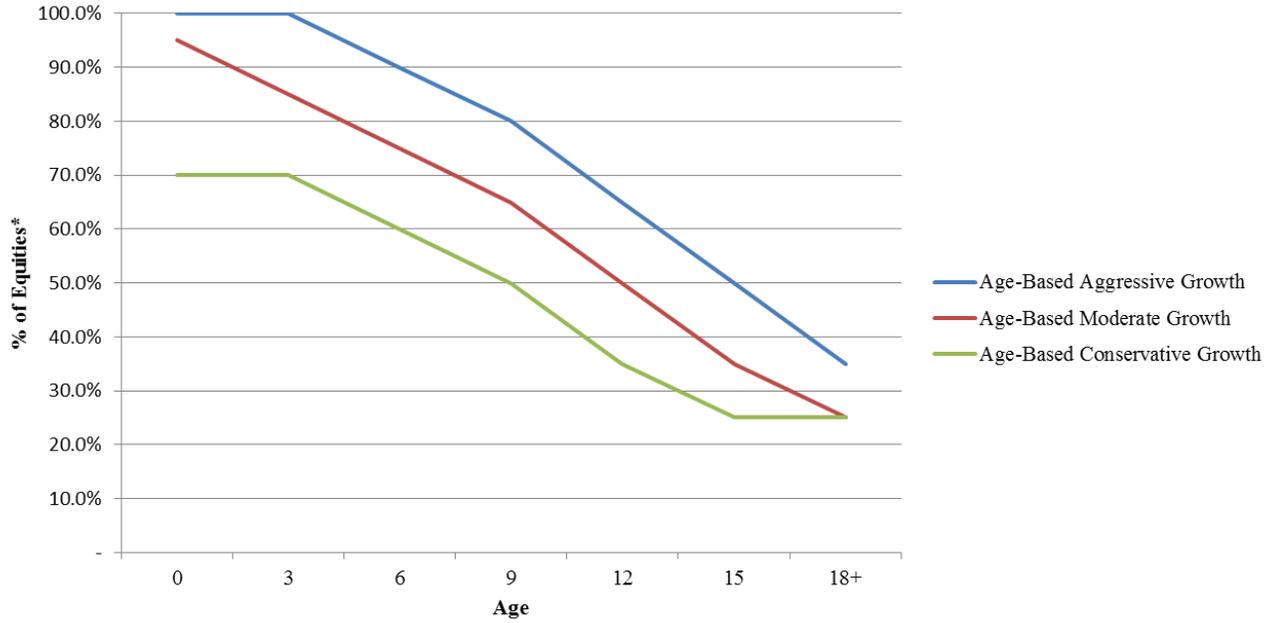
Individual Funds: Asset Category, Index and Peer Group Universe

Asset Category	Index	Peer Group Universe
Active Value Equity AllianceBernstein Growth & Income AllianceBernstein International Value Idx <i>(National Accounts Only)</i> AllianceBernstein Discovery Value	Russell 1000 Value MSCI AC World ex-US Value Russell 2500 Value	Large Cap Value Style International Value Style Small/Mid Cap Val Style
Active Growth Equity AllianceBernstein Large Cap Growth AllianceBernstein Discovery Growth AllianceBernstein Small Cap Growth	Russell 1000 Growth Russell 2500 Growth Russell 2000 Growth	Large Cap Growth Style Small/Mid Cap Gr Style Small Cap Growth Style
Passive Equity (RI Accounts Only) Vanguard Total Stock Market Index Vanguard Total International Stock Index Vanguard Total Bond Market Index	CRSP US Total Market FTSE Global All Cap ex US Barclays U.S. Agg Float Adjusted	Total Domestic Eq Style Core Intl Eq Style Core Bond Style
Fixed Income AllianceBernstein Bond Infl Protection AllianceBernstein Global Bond AllianceBernstein Principal-Protection Inc	Barclays US TIPS 1-10 Yr Barclays Global Aggregate 90 Day T-Bill	TIPS Global Fixed Income Stable Value

APPENDIX C

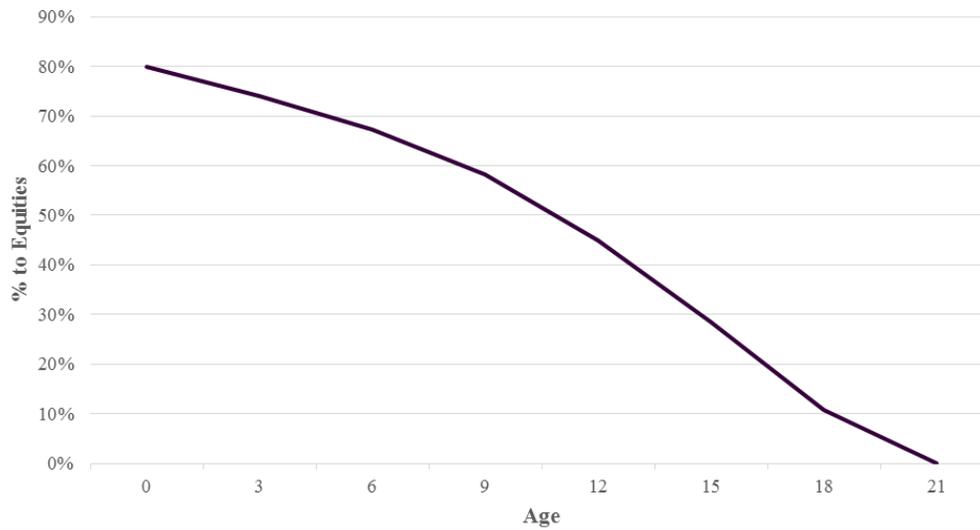
Education Strategies Portfolios Composition

Active Age-Based Portfolios Glide Paths:



*Includes Multi-Asset Real Return and Volatility Management Strategies

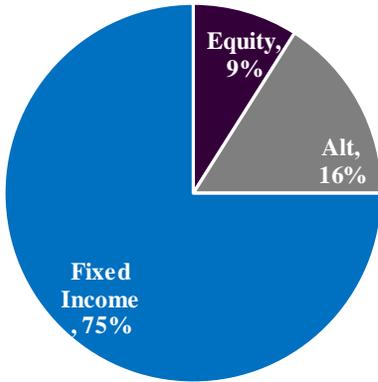
Age-Based Cbf Morningstar Index Portfolios Glide Path:



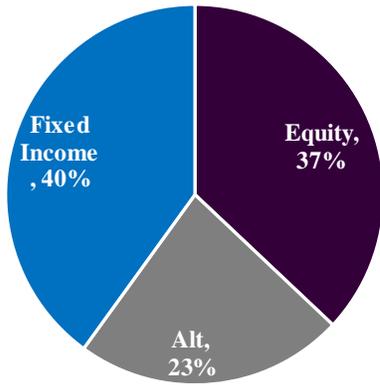
APPENDIX C

Fixed Allocation Portfolios Construction:

Conservative



Balanced



Appreciation

